



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR SEPTEMBER 10, 2009

NATURAL GAS MARKET NEWS

While there appears to be no immediate threat in the tropics currently, the various computer models though appear to be creating an air of uncertainty for the next couple of weeks. Various models leave open the possibility that some type of tropical system could form in the Gulf of Mexico next week as well as another in the Bahamas. Even Hurricane Fred, which is expected to move north over the next couple of days and weaken significantly, is seen moving back westward in five days time and possibly ending up just east of the Bahamas in 10 days time.

Williams said it has received approval from the FERC for its proposed expansion of its Transco natural gas pipeline by 308,500 dekatherms per day to serve markets in the southeastern United States. New service from the 85 North project will be available in two phases. Phase 1 will increase capacity by 90,000 Dth/day by the summer of 2010, while Phase II will increase capacity by 218,500 Dth/d by the following summer.

NOAA said today that El Nino is likely to strengthen and continue into the coming winter in the Northern Hemisphere. NOAA noted that weak El Nino conditions were detected in August. Its forecasters expect weak to moderate El Nino conditions to exist this fall with at least a moderate El Nino to take hold this winter. Many of its forecasting models suggest that a strong El Nino is possible this autumn and winter but forecasters have moderated this in their outlook since current observations and trend indicate that El Nino will most likely peak at moderate

Generator Problems

NPCC – OPG's 490 Mw Nanticoke #4 coal fired unit was shut this morning for short-term repairs.

MISO – Xcel Energy said its 538 Mw Prairie Island #2 nuclear unit was at 84% power this morning down 7% from yesterday. The unit is believed to be coasting down to a scheduled refueling outage.

Exelon's 1128 Mw Byron #1 nuclear unit was at 95% capacity, down 5% from yesterday. Operators are beginning to coast down the unit to its scheduled refueling outage.

PJM – Exelon's 1140 Mw peach Bottom #2 nuclear unit was at 89% capacity this morning down marginally from yesterday as the unit continues to coast down to its scheduled refueling outage.

FRCC – FPL's 839 Mw St. Lucie #2 nuclear unit was shut early Thursday. The unit had been at 76% capacity on Wednesday as operators were working on a pump motor.

WSCC – Southern California Edison said that its 1172 Mw San Onofre #2 nuclear unit was back to full power, up 10% from Wednesday.

Energy Northwest's 1150 Mw Columbia nuclear unit remains at 84% capacity.

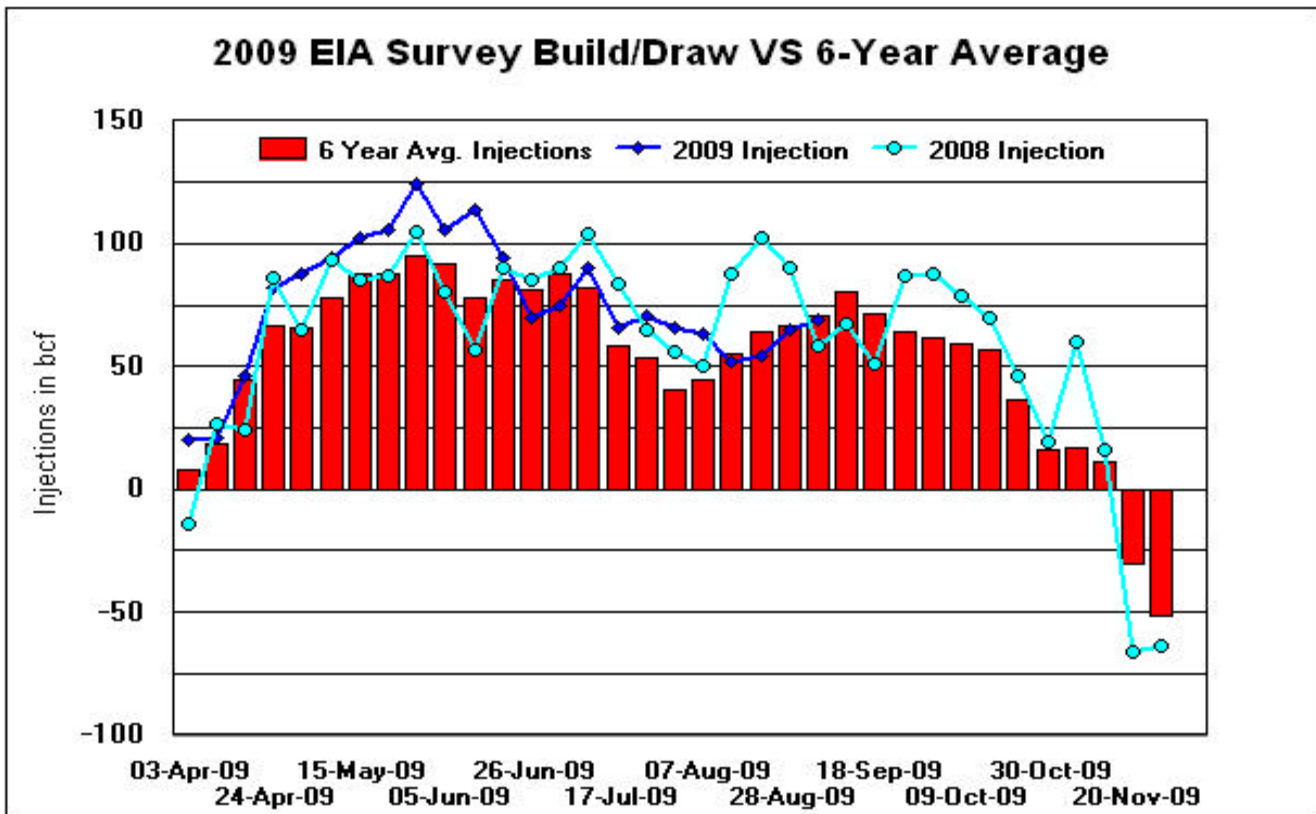
PG&E's 1122 Mw Diablo Canyon #1 nuclear unit was at 87% power down 13% from yesterday.

The NRC reported this morning that 92,866 Mw nuclear generation capacity was on line, down 0.9% from yesterday and off 3.1% from the same time a year ago.

EIA Weekly Report

	09/04/2009	08/28/2009	Change	09/05/2008
Producing Region	1099	1086	13	795
Consuming East	1831	1776	55	1716
Consuming West	462	461	1	386
Total US	3392	3323	69	2897

*storage figures in Bcf

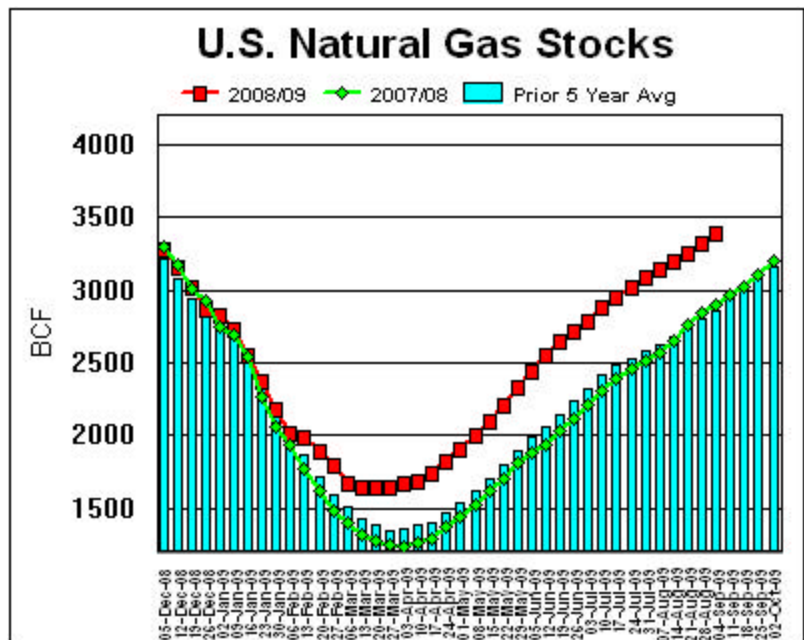


strength. In the U.S. temperature and precipitation impacts are typically weak in summer and early autumn, but gain strength in late autumn and winter. A relatively strong El Nino event in the winter of 1997/98 helped to depress oil prices due to an extremely mild winter in the Northeast U.S. and across northern Europe.

Reuters reported that natural gas storage levels across Europe increased by an average 1.4% from the previous week. Storage at NBP was up 0.3% to stand at 97.9%, while storage levels in Germany were at 86.8%, up 2% on the week.

Twenty U.S. lawmakers today called on the CFTC to limit the number of energy futures contracts that speculators can control. In addition the lawmakers called for all OTC contracts to be cleared through a CFTC regulated clearing entity as well as requiring swap dealers to provide daily information to the CFTC on their transaction.

Chevron said it has signed \$60 billion in LNG supply seals with three North Asian buyers for its massive Gorgon project in Australia. The Gorgon project continues to await final approval from all participating partners in the project but it is expected to be finalized by the middle of this month.



India's Hazira LNG Pvt Ltd may import three cargoes of LNG this month, the company said today. The company noted that LNG demand has not dropped off in India despite the increase in gas supplies within the country as Reliance Industries has started pumping gas from India's biggest gas field this year.

Canadian Gas Association

Weekly Storage Report

	04-Sep-09	28-Aug-09	05-Sep-08
East	222.7	219.6	202
West	340.8	336.8	304.9
Total	563.5	556.4	506.9

storage figures are in Bcf

PIPELINE RESTRICTIONS

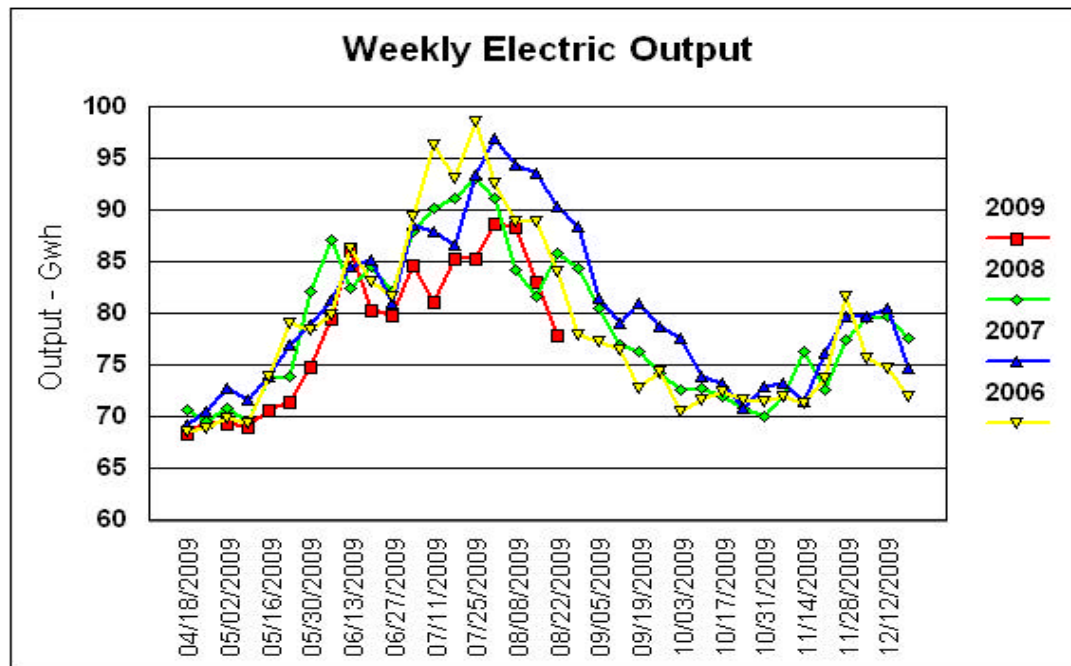
PG&E has issued a system wide OFO for September 10th due to low inventory. The company set a 5% tolerance.

NGPL said that for September 10th and until further notice Florida Gas Jefferson and Florida Vermillion are at capacity for deliveries. Interruptible transport service/authorized overrun and secondary firm transports are at risk of not being fully scheduled.

ELECTRICITY NEWS

According to a new report from the U.S. Climate Task Force, it estimates that a complex trading system like the cap and trade program outlined in the current climate bill before Congress would generate an increase in energy prices while offering minimal greenhouse gas reductions. The task force found that a carbon tax would be more effective. The group said a "direct, transparent carbon tax shift would provide the critical incentives to develop new technologies and energy sources that are needed.

The group also noted that the direct burden of a carbon tax would be largely offset by other tax cuts. It also noted that the tax would be easier to implement, more transparent and less vulnerable to manipulation.



The Edison Electric Institute reported that US electricity generation in the week ending

September 5th fell by 7.7% on the year and by 6.3% on the week to 77,946 Gwh. For the 52 weeks ending September 5th, power generation fell by 3.5% on the year to 3,942,037 Gwh.

MARKET COMMENTARY

The natural gas market rallied over 15% on Thursday following the release of the EIA Natural Gas Storage Report. The market bounced off a low of \$2.74 early in the session in light of the EIA showing a build of 69 bcf, slightly lower than the expected 71 bcf. While the build did not change the overall supply picture, it prompted a flurry of bargain buying. It rallied on continued technical buying after breaking above resistance at the \$3 level. The natural gas market rallied over 49 cents as it posted a high of \$3.32 late in the session. It retraced more than 38% of its move from a high of \$4.368 to a low of \$2.74. The natural gas market settled up 42.7 cents at \$3.256.

The natural gas market on Friday is seen retracing some of its sharp gains. The market is seen finding resistance at \$3.32, \$3.389, its 50% retracement level, and \$3.471. More distant resistance is seen at \$3.685 and \$4.051. Meanwhile, support is seen at \$3.20, \$3.06 and the \$3.00 level. Further support is seen at \$2.891, \$2.525 and \$2.311.

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